

Message Text

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ACTION NEA-16

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 SWF-02 AGR-20 DRC-01 /187 W

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R 030634 AUG 74

FM AMEMBASSY SANAA

TO SECSTATE WASHDC 4097

INFO AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L SANAA 01575

E.O. 11652: GDS

TAGS: EAID, YE, CH

SUBJ: PRC-YAR AID AGREEMENT ON CONSTRUCTION OF COTTON

GINNING AND COTTON SEED OIL EXTRACTION PLANT

1. YARG ANNOUNCED JULY 30 CONCLUSION OF LOAN AGREEMENT WITH PRC FOR CONSTRUCTION OF COTTON GINNING AND COTTON SEED OIL EXTRACTION, PLANT IN PORT OF HODEIDA. PROJECT WILL BE FINANCED THROUGH LOAN AGREEMENT CONCLUDED IN 1972 BY TWO COUNTRIES (AGREEMENT LENDS US\$22.58 MILLION FOR PROJECTS INTEREST FREE WITH TEN YEAR GRACE PERIOD ON PRINCIPAL).

2. ACCORDING LOCAL PRESS, COTTON GIN WILL HAVE YEARLY CAPACITY OF 11,979 METRIC TONS. COTTONSEED EXTRACTION FACILITY WILL HAVE YEARLY CAPACITY OF 12,690 METRIC TONS OF GINNED SEED. BOTH AMOUNTS SHOULD BE ADEQUATE TO HANDLE YAR'S COTTON CROP FOR FORE-SEEABLE FUTURE.

3. COMMENT. NEW AGREEMENT SENSIBLE FOR BOTH COUNTRIES. PRC HAS BEEN MAJOR CASH BUYER OF YAR COTTON CROP (US\$1.9
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MILLION IN 1973) AND CONSTRUCTED SUCCESSFUL SPINNING AND WEAVING FACTORY IN SANAA IN MID-1960S. YAR, WITH WORLD MARKET PRICES HIGH, HAS BEEN STRESSING INCREASED COTTON PRODUCTION. ONE MAJOR OBSTACLE HAS BEEN ANTIQUATED GINNING FACILITIES OF YEMEN COTTON COMPANY IN HODEIDA WHICH HAS HAMPERED MARKETING AND NECESSITATED TRUCKING OF RAW COTTON 150 MILES TO SANAA IN ORDER TO GIN SPINNING AND WEAVING PLANT'S SUPPLY ON SITE AND RETURN SEED TO HODEIDA.
NEWTON

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NNN

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